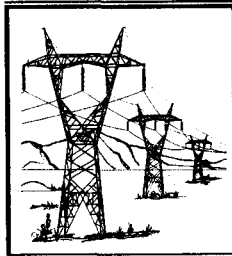


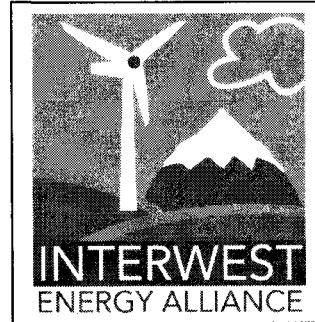
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**Western States Energy
Solutions, LLC**



August 30, 2006

Arizona Corporation Commission
DOCKETED

AUG 31 2006

Jerry Smith
Staff Engineer
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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AZ CORP COMMISSION
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Subject: BTA Comments
Docket No. E-00000D-05-0040

Dear Jerry:

The Biennial Transmission Assessment this year is very informative and has begun to achieve your goals for the study. In our opinion this document is becoming a planning score card for the accomplishment of the transmission and electricity goals of the Arizona Corporation Commission. To that end and representing our clients West Wind Wires and Interwest Energy Alliance, we submit the following suggestions:

Paragraph 7.1.1 could become the renewables paragraph and address the achievement of the transmission necessary for renewable energy. It could address the need for Arizona and the west to embrace renewables as a national and Arizona priority to get off fossil fuels as much and as soon as possible. This paragraph would address renewables in general to include efforts in solar, geothermal, biomass, and wind.

Paragraph 7.1.1 should recognize the work being done by NREL and others to integrate wind as a viable and essential renewable in a reliable manner. This could address solutions for the litany of reliability concerns that you listed. Understanding the problem is the first step to development of solutions.

Paragraph 7.1.1 should address the accomplishments of the various utilities in embracing renewables and in meeting the RPS of Arizona. This would be an analysis section similar to the one established for Reliability Must Run Generation. APS, TEP and SRP are making great strides in this arena and they should get credit for their work.

Paragraph 7.1.1 can address the transmission challenges of use of renewables, and efforts to import renewables and to use the renewables inside the state. The activities of ZIA could be addressed?

Paragraph 7.1.1 could include all the efforts to analyze the advantages of in-state or out-of-state being conducted by NAU.

Paragraph 7.1.1 could evaluate the impact of solar steamers on the reliability aspect of the renewables portfolio.

Perhaps paragraph 7.1.1 could be expanded to a separate section addressing the renewables goals of the ACC and their accomplishment.

As a concluding thought we offer a comment about this report and transmission planning in general for your consideration. Throughout this report there are implementations of concepts which were brought by the ACC Staff and the Arizona Utilities to the recently completed Western Governors' Association's Clean and Diversified Energy Initiative project. That project looked at the feasibility of adding 30,000 MW of clean energy in the West by 2015 and increasing energy efficiency 20 percent by 2020. A key part of this analysis was to ensure adequate transmission for the region. There are a significant number of recommendations related to transmission that can be found on pages 20 and 21 of the CDEAC report *Clean Energy, a Strong Economy and a Healthy Environment*, Western Governors' Association, June 2006. (attached). <http://www.westgov.org/wga/meetings/am2006/CDEAC06.pdf> In adopting the resolution and final report of recommendations the Governors supported the addition of significant amounts of renewable energy and energy efficiency resources that will impact the amount, size, location and cost of transmission infrastructure in Arizona and the West. We recommend that the work of the Clean and Diversified Energy Advisory Committee (CDEAC) be referenced and the planning and regional cooperation efforts of the several states and Arizona to accomplish those goals be recognized. The utilities and the ACC Staff have not stood idly by in this area in the last two years.

We believe that the assessments such as the BTA and regional planning groups such as the Southwest Area Transmission (SWAT) are becoming increasingly important to adequately assess and plan for needed transmission additions. We look forward to participating in the Commission and regional processes to ensure adequate transmission for all energy resources.

Sincerely,

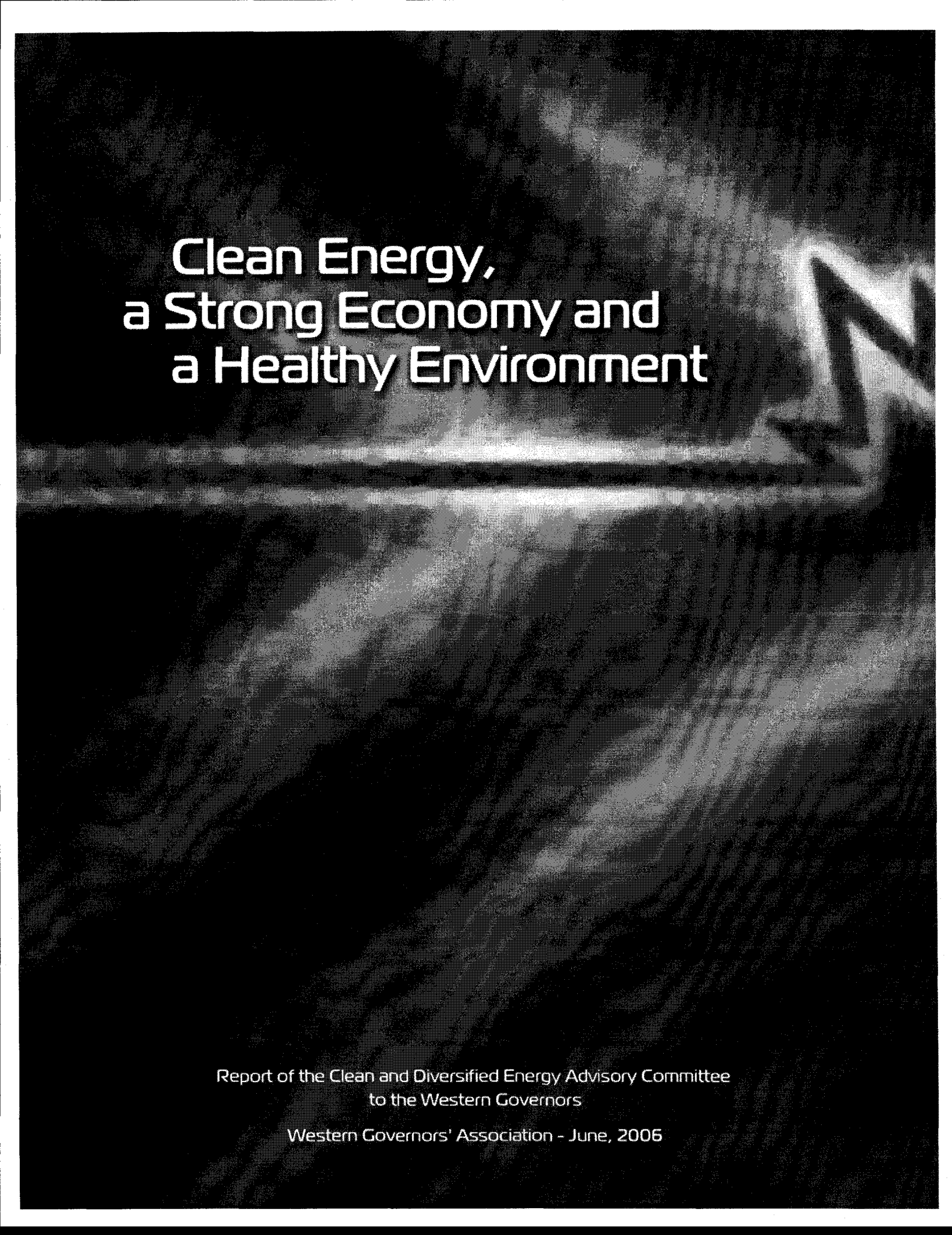
Jim Charters

James H. Charters
Manager
Western States Energy Solutions, LLC
26419 N. 93rd Ave
Peoria, AZ 85383
Phone 623 572 7972

JC/JAC
cc.
Western Resource Advocates
Penny Anderson
2260 Baseline Rd. Suite 200
Boulder CO 80302-7740

Amanda Ormond

Amanda Ormond
Southwest Representative
Interwest Energy Alliance
7650 S. McClintock, Ste 103-282
Tempe, AZ 85284
Phone 480 491 3305



Clean Energy, a Strong Economy and a Healthy Environment

Report of the Clean and Diversified Energy Advisory Committee
to the Western Governors

Western Governors' Association - June, 2006

APPENDIX C – Transmission

To ensure adequate transmission for the region to tap its vast clean and diversified energy resources, Western Governors should adopt and take necessary steps to implement the following actions. The recommendations are grouped according to federal, regional, state and local entities and industries that would implement the recommendations.

1. FERC's ongoing review of its open access transmission policy under Order 888 provides an excellent venue to urge the Federal Energy Regulatory Commission to make needed reforms. The Western Governors should engage the Commission to make changes to its transmission policies to:
 - a. Promote a conditional-firm, priority non-firm and other transmission service products;
 - b. Encourage transparent review and assessment of available transfer capability (ATC);
 - c. Eliminate rate pancaking (i.e. access fees imposed on transmission customers contracting for service across multiple control areas) in the transmission system in a manner that addresses concerns about financial impacts during a transition, recovery of costs and cost shifting;
 - d. Promote control-area consolidation on a case-by-case basis, where an analysis finds that benefits exceed the costs and there are no significant adverse impacts on reliability
 - e. Encourage congestion management systems that allow access to least-cost generation within reliability security constraints;
 - f. Encourage common Web sites for Open Access Same Time Information Systems (OASIS) to facilitate transmission transactions;
 - g. FERC code of conduct rules should ensure that transmission planning processes include as much information about future and existing resources as possible. Given different industry interpretations of code-of-conduct rules, FERC should clarify the rule to allow transmission planners and resource planners of a vertically integrated utility to participate in joint discussions at transparent regional planning meetings and state-approved resource planning and acquisition processes; and
 - h. Request that FERC convene a technical conference to develop needed reforms of interconnection and transmission queuing processes.
2. The Western Governors should take an active leadership role to promote state and regional policies in collaboration with state legislatures to:
 - a. Ensure resources to enable state participation in regional transmission planning;
 - b. Encourage the electric power industry to make the existing proactive, transparent interconnection-wide and sub-regional transmission planning processes a priority;
 - c. Review, and if necessary, amend state laws to require PUCs and public power boards to consider regional transmission needs;
 - d. Support the goal of a regional planning capability that can yield critical information for stakeholders and regulators to allow rigorous evaluation of large, long-term investments in transmission;
 - e. Bring together stakeholders and forge solutions to regional transmission needs, cost allocation and siting where Regional Transmission Organizations (RTO) or Independent System Operators (ISO) do not exist, and ensure state participation in such activities by existing RTOs/ISOs;
 - f. Promote use of an open season process by project developers as a means of demonstrating demand for and value of new transmission projects, and expand project participation;
 - g. Urge FERC and PUCs to form joint panels on transmission cost recovery that would explicitly consider risks and needs for incentives, such as forms of preapproval, higher rates of return on transmission investments, and quicker cost recovery of transmission investments;
 - h. States should consider adopting funding mechanisms to support research, development and demonstration of advanced technologies in the public interest;
 - i. Urge transmission operators to develop workable agreements at seams between ISO and non-ISO systems to enable effective grid operations;
 - j. Ensure that there are resources and political commitments to successfully implement the WGA Transmission Permitting Protocol and the Midwest Electric Transmission Protocol for new interstate transmission proposals; and
 - k. Evaluate the option of forming an interstate compact for creation of a regional siting agency pursuant to Section 1221 of the Energy Policy Act of 2005, and encourage consistent siting processes within their states through use of standardized applications, joint data and studies, coordinated schedules and deadlines and other mechanisms, where possible.
3. Western Governors should urge state public utility commissions to adopt policies and promote legislation, if necessary, to:

- a. Establish tiered standards of review for prudency and application of transmission incentives for transmission expansion costs featuring a lower standard for screening studies and planning, a moderate standard for permitting and the acquisition of rights-of-way, and a higher standard for construction costs;
 - b. For states with mandatory renewable portfolio standards, regulatory commissions should make public interest findings associated with cost effective transmission projects that will enable states to attain energy policy goals;
 - c. Expand transmission in advance of generation to enable the modular development of location-constrained, clean and diversified resource areas to meet cost-effective RPS, IRP and state goals, similar to recent Texas and Minnesota legislation for new transmission and the renewable trunk line (Tehachapi) model for new transmission;
 - d. Coordinate multi-state review of transmission projects by developing common principles for cost allocation and cost recovery, and adopt a common Western procedural process that would identify and coordinate the applications, forms, analyses and deadlines; and
 - e. Promote cost-effective transmission expansion by accommodating both non-dispatchable and dispatchable resources.
4. Western Governors should collaborate with the appropriate federal agency to implement the Energy Policy Act provisions to designate energy corridors on federal lands by:
 - a. Committing state agency resources to participate in the federal effort and to identify contiguous corridors on adjacent state lands;
 - b. Urging Congress to fund federal land management agency corridor planning efforts; and
 - c. Fostering designation of corridors on lands not owned by the federal government or the states to ensure continuity in corridors. Designation and preservation of transmission corridors is important in rapidly urbanizing parts of the region.
 5. Western Governors should encourage the Western electric power industry to:
 - a. Synchronize regional transmission planning efforts to resource acquisition plans of load-serving entities (LSE) and plans of generators;
 - b. Support and collaborate with state infrastructure authorities that have been created to facilitate transmission expansion; and
 - c. Ensure institutional homes for regional transmission planning.

APPENDIX D – CDEAC White Papers

White paper submissions were received by the CDEAC on advanced natural gas, combined heat and power (CHP) and water energy. These white papers concern clean energy issues that went beyond the reports of the task forces chartered by the CDEAC, but nonetheless provide value towards meeting the clean energy goals of the Western Governors. The papers on Combined Heat and Power and Water Energy were developed under the guidance of the CDEAC and submitted for 30 days of public comment, but were not subject to the same consensus building process as the task force reports. The report on Advanced Natural Gas also went through a public comment period, but was received too late for the CDEAC to formally consider. It is posted as an information source on the WGA Web site at www.westgov.org.

Advanced Natural Gas

Natural gas provides over half of the West's generating capacity and the CDEAC acknowledges that natural gas is an important part of the West's clean energy future. The Advanced Natural Gas Task Force was commissioned by the CDEAC in accord with the Governors' original resolution. Interest and participation within the task force proved to be unsubstantial. Nevertheless, a white paper has been submitted to address the very relevant issues of balancing supply and demand to stabilize prices and ensure that natural gas will remain an important part of the West's energy portfolio. While the CDEAC has not had an opportunity to discuss this white paper, it is clear that the improvement of current infrastructure, consideration of liquid natural gas (LNG) as an alternate supply, and continued installation of combined cycle facilities are available options to help maintain stable prices in the future. The white paper sets forth a series of recommendations that can be found on the Web at www.westgov.org.